

## Canadian Credit Union Association (CCUA) Institutional Report

### Prepared for the Public Order Emergency Commission

August 17, 2022

Further to your letter of August 11, regarding the declaration of an emergency by the federal government and the measures taken by the Governor in Council for dealing with that emergency, and your request for an “institutional report”, the following is a report outlining: relevant information about CCUA including its structure, membership and purpose, information about the credit union sector, and a narrative outlining the experience of the CCUA in the roll out, implementation and wind-up of the *Emergency Economic Measures Order*.

#### **Background**

The Canadian Credit Union Association (CCUA) is the national credit union trade association that provides services to Canada’s credit unions, caisses populaires (outside of Quebec), and regional Central organizations. CCUA is distinct in its commitment to cooperative values, and is the first national credit union governed organization in Canada. Our membership consists of 212 credit unions and caisses populaires outside of Quebec.

Credit unions contribute nearly \$7 billion to Canada's economy by providing deposit, loan and wealth management services to over 5.9 million Canadians. Collectively, credit unions and regional centrals employ nearly 30,000 people and manage over \$280 billion in sector assets. Credit unions are Canadian-owned full-service financial institutions. Credit unions are co-operatives. In other words, the people who bank with credit unions are the same people who own them. Being accountable to member owners results in strong ties to the communities and the Canadians that credit unions serve. In 380 communities a credit union is the only financial institution with physical branch presence. Credit union provincial market share varies across the country, the highest is Saskatchewan with 44%.

#### **Narrative**

##### **Roll out**

Following the *Emergency Economic Measures Order* (the “Order”), CCUA worked with officials at the Department of Finance and the RCMP to obtain information on the application and parameters of the Order and the Government of Canada’s expectations regarding the financial sector’s role and obligations with respect to enforcement of the Order. CCUA was able to communicate this information to its members quickly. However, we and our member credit unions were concerned by the Department of Finance’s initial lack of contact with and exclusion of the credit union system from information and by the ongoing lack of clarity regarding the obligations and actions expected of financial institutions.

CCUA first heard about the Order via press conference and press release on February 14. We reached out to the Minister of Finance’s office for clarity regarding the Order. From the initial press release and news conference it was unclear if provincially regulated credit unions would be included in the Order. We received a response from Douglas Wong, Policy Advisor to the Minister of Finance, on February 15th that stated:

Our advice to Canadian financial institutions remains to review their relationships with anyone involved in the blockades and report to the RCMP or CSIS and that Canadian financial institutions are authorized to temporarily cease providing financial services where the institution suspects that an account is being used to further the illegal blockades and occupations.

With this statement there remained confusion over parts of the Order including the mechanism financial institutions were expected to use in order to execute the Order. We received further clarity when the government released the regulations via the Canada Gazette on February 15.

Throughout this time, we also relied on the media to provide information on what these measures meant for credit unions. Through the media we found out that the RCMP had sent certain financial institutions letters with lists of designated persons. On February 16, CCUA contacted the RCMP through an employee's personal connection. From there we were directed to the correct contact at the RCMP, Corporal Kelley Hughes. The RCMP asked CCUA to distribute the "disclosure list of information" to credit unions. At this time, we were also added to an RCMP daily briefing that financial institutions were receiving.

CCUA was concerned about distributing the designated persons lists given the Order specifically gave immunity to financial institutions and CCUA is not a financial institution. Initially, with credit union representatives consent we sent their contact information to Kelly Hughes. This solution quickly became untenable for the RCMP, as they could not manage the number of credit unions. It was then determined the most appropriate way to distribute the lists to credit unions was through the Credit Union Office of Credit Prevention and Investigation (CUOCPI) which is a secure site through which credit union security officers can access information provided by law enforcement agencies. All disclosure lists were subsequently posted on CUOCPI and credit unions were able to access this information, albeit days later than Canada's major banks.

## **Implementation**

CCUA acted as a conduit to facilitate communications between the government and credit unions. Finance and the RCMP both relied on CCUA to communicate with our 212 members as they were unable to engage them separately. It became clear during this period that officials were not prepared to engage with smaller financial institutions and initially only planned for the large six banks.

CCUA communicated to our members through eight emails about the Order. These emails were used to communicate information that CCUA received from press releases, communications with the Department of Finance and from RCMP briefings.

On February 17, the Department of Finance reached out to CCUA to schedule a webinar with credit unions. On February 18, the Department of Finance hosted an in-depth briefing webinar with credit union representatives led by Julien Brazeau, Director General, Financial Sector Policy, Department of Finance. Over 600 credit union system representatives participated in the call. However not all interested credit union representatives could attend due to the constraints of the Department's Microsoft Teams infrastructure which was not designed for a call of that scale.

With regard to the Order, our members communicated with us in emails and phone calls. They raised concerns with the process and requirements under the Order, including timing of communications and

consultations with the credit union sector and confusion regarding the obligations of financial institutions and the high degree of discretion left to financial institutions. Greater detail and specifics regarding those concerns is provided below.

- *Inclusion of the Credit Union Sector:* In the early days of the crisis, there was the impression, not uncommon in our dealings with the federal government, that the large six banks were consulted or informed days before credit unions and other financial institutions were. Credit unions represent almost half the financial sector in some provinces and serve millions of Canadian consumers. Credit unions should be at the table in discussions with Ottawa at the same level as the federally regulated banks in all matters that directly impact their operations and their members, particularly in a time of crisis.
- *Lack of Clarity Regarding Requirements:* When the measures were first announced, it was very unclear to whom the financial sanctions applied. Eventually it became clear that the sanctions were aimed at a very small list of individuals and entities. However, in the early days, there was some degree of panic among some Canadians that their accounts may be frozen due to such things as small donations to the “freedom convoy.” In those important days, the government was less than clear about the intended targets of financial measures under the *Emergencies Act*. Many of our members expressed this concern, and many Canadians made significant withdrawals from credit unions as a result, sometimes in the hundreds of thousands of dollars, and on a few occasions millions. While these withdrawals did not cause liquidity issues at all for credit unions, staff had to manage many disgruntled members. Clearer communications from the government could have mitigated this issue.

The government also granted a significant level of discretion to financial institutions regarding whose accounts to freeze. This further contributed to confusion and to possibly an uneven application of the financial components of the measures. Many would have appreciated further guidance from the government on precisely which accounts should be frozen.

### **Wrap up**

On February 21, the RCMP indicated that the list of “designated persons” was no longer applicable. On February 22, CCUA removed all “designated persons” listed on CUOCPI. We then communicated this to our member credit unions via an email.

In total, a relatively small number of credit union accounts were frozen. Our member credit unions informed us via survey that, for a short period of time, credit unions froze a total of ten accounts with a combined value of less than half a million dollars.